

**BYRON CENTER
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2007

BYRON CENTER PUBLIC SCHOOLS
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For the year ended June 30, 2007

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

October 8, 2007

The Board of Education
Byron Center Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Byron Center Public Schools (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Byron Center Public Schools as of June 30, 2007, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2007 on our consideration of Byron Center Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Byron Center Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Byron Center Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 8,606,065	\$ 9,303,711
Net capital assets	<u>86,162,488</u>	<u>87,654,377</u>
Total Assets	<u>94,768,553</u>	<u>96,958,088</u>
Liabilities		
Current liabilities	7,642,233	7,466,503
Long-term liabilities	<u>82,317,014</u>	<u>84,516,097</u>
Total Liabilities	<u>89,959,247</u>	<u>91,982,600</u>
Net Assets		
Invested in capital assets, net of related debt	641,947	1,306,604
Restricted	433,137	(161,982)
Unrestricted	<u>3,734,222</u>	<u>3,830,866</u>
Total Net Assets	<u>\$ 4,809,306</u>	<u>\$ 4,975,488</u>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.

The Statement of Activities presents changes in net assets from operating results:

	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 2,132,219	\$ 2,030,847
Operating grants	3,631,554	3,536,717
General Revenues		
Property taxes	12,027,704	10,956,030
State school aid, unrestricted	19,190,423	18,379,641
Interest earnings	345,975	335,928
Gain (loss) on sale of capital assets	(1,870)	635,279
Other	188,770	176,552
Total Revenues	<u>37,514,775</u>	<u>36,050,994</u>
Expenses		
Instruction	18,577,933	18,796,686
Supporting services	11,184,446	10,585,516
Community services	1,297,401	1,474,389
Food service	1,295,048	1,118,979
Athletics	892,115	736,879
Other	16,986	15,882
Interest on long-term debt	4,417,028	4,440,292
Total Expenses	<u>37,680,957</u>	<u>37,108,623</u>
Decrease in net assets	(166,182)	(1,057,629)
Net Assets - Beginning of Year	<u>4,975,488</u>	<u>6,033,117</u>
Net Assets - End of Year	<u><u>\$ 4,809,306</u></u>	<u><u>\$ 4,975,488</u></u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors: growth during the year in local property tax revenue and State aid increases due to the District's student growth and State foundation grant per pupil funding.

The District's total revenues increased by \$1.46 million to \$37.5 million. Property taxes and unrestricted State aid accounted for most of the District's revenue, contributing about 83.2 cents of every dollar raised. Another 9.7 percent came from state and federal aid for specific programs and the remaining 7.1 percent from fees charged for services, interest earnings and other local sources.

The total cost of all programs and services rose \$572,334 to \$37.7 million. The District's expenses are predominantly related to instructing, pupil services, athletics, food service and for the transporting of students (64.37 percent). The District's administrative and business activities accounted for 6.77 percent, operation & maintenance, technology and other business services accounted for 11.14 percent. Interest on long-term debt accounted for 11.72 percent of total District expenses.

Total expenses surpassed revenues, decreasing net assets by \$166,182 from last year. This is a significant reduction from the previous fiscal year's operating deficit of \$1,057,629.

The recent good health of the District's finances can be credited to innovative management changes and:

- The continued growth in the homestead and non-homestead properties within the District boundaries.
- For the seventh year in a row the District's student F.T.E. (full time equivalent) has grown.

September	Student FTE	Percentage
2000	118	4.9%
2001	126	5.0%
2002	154	5.8%
2003	92	3.4%
2004	138	4.8%
2005	70	2.3%
2006	74	2.4%

- Rising real estate values led to a 9.83 percent increase in property tax revenues, despite the fact that tax rates remained unchanged. The increase in property tax revenues is beneficial for the District for cash flow of the General Fund, improvements to the district with building and site fund dollars and for the payment of debt service.
- The cost of all governmental activities this year was \$37.68 million.
- The federal and state governments subsidized certain programs with grants and contributions in the amount of \$3.6 million.
- Most of the District's costs (\$31.92 million), however, were financed by the District and State taxpayers.
- This portion of governmental activities was financed with \$12.03 million in property taxes, \$19.19 million of unrestricted State aid based on the statewide education aid formula, investment earnings, and other local sources.
- Voters have approved millages according to State of Michigan law for debt service and building and site for the construction of buildings and additions. The construction has been done with no increase in the millage rate to the taxpayers and without the use of General Fund monies to ensure the classroom and educational facilities are available to meet the needs of the students of Byron Center.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Byron Center Public School's funds are described as follows:

Major Fund

General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$28,166,654, other financing sources of \$182,652, total expenditures of \$28,327,579 and total other financing uses of \$540,006. The district ended the fiscal year with a decrease in fund balance for a total fund balance of \$3,926,012, down from \$4,444,291 at June 30, 2006. The reduction of fund balance of \$518,279 is substantially lower than the originally adopted budget reflecting a deficit of \$936,900. The District postured itself to maintain the same excellent educational program for FY 2006-07 knowing there would be a reduction of fund balance. In addition, the District took measured steps in reducing all non-essential expenditures to preserve fund balance.

Nonmajor Funds

Special Revenue Funds

The District operates four Special Revenue Funds, for the food service and athletics programs, VanSingel Fine Arts Center and community service programs. Total revenue of all Special Revenue Funds was \$2,411,445 with total expenditures of \$2,819,075 and total other financing sources of \$538,902. The ending fund balances were \$450,814. Of the ending fund balances, \$43,964 is attributable to the VanSingel Fine Arts Center Fund, Community Service Fund of \$371,445, Food Service Fund of \$8,521 and the Athletic Fund of \$26,884.

Debt Service Funds

The District operates five Debt Service Funds. Total revenues were \$6,022,117, and other financing sources (State school bond loan proceeds) were \$694,557. Total expenditures were \$6,820,032. The ending fund balances in the Debt Service Funds totaled \$204,479.

Capital Projects Funds

There are two nonmajor Capital Projects Funds incorporated into the financial statements of the District, the Building and Site (Sinking) Fund and the 2001 Construction Fund. Revenues totaled \$993,267 (including \$835,537 of property taxes collected) and loan proceeds totaled \$500,000. Expenditures totaled \$1,855,632. The ending fund balance was \$307,761 in the Building and Site Fund and \$548,586 in the 2001 Construction Fund.

Fiduciary Funds

The Student Activities Fund and the Scholarship Funds are operated as Fiduciary Funds of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand at June 30, 2007 totaled \$179,269. The Student Activities Fund's portion was \$165,810, and the Scholarship Fund's was \$13,459.

General Fund Budgetary Highlights

Over the course of the year, District revised the annual operating budget one time. The budget amendment was a result of the following:

- Changes made in June were for increases in the student enrollment that determined the amount of foundation grant or State school aid was to be received, changes in other revenue sources, appropriations to prevent budget overruns and final expenditures as were necessary for actual activity that occurred during the fiscal year.
- Actual revenues were \$296,455 lower than expected, due largely to unrealized State funding for the associated special education programs. The revenue still is a pending item. However, the financial condition of the State of Michigan likely precludes this from materializing.
- Actual expenditures were \$481,032 below budget, due primarily to inter-district tuition expenditures and the early spring 2007 spending restrictions due to uncertainty in current and future State funding sources.

Capital Asset and Debt Administration

Capital Assets

By the end of 2007, the District had invested \$108 million in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. This amount represents a net increase of \$1.3 million, or 1.2 percent from last year. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.) Total depreciation expense for the year was \$2.9 million.

The District's 2006-07 capital spending totaled \$1.9 million, principally in four areas:

- \$143,164 for land improvements
- \$638,132 for various building improvements
- \$359,336 for building furnishings
- \$715,000 for athletic field improvements

At June 30, 2007, the District's investment in capital assets (net of accumulated depreciation), decreasing approximately \$1.5 million from the previous year-end, is detailed as follows:

Land	\$ 3,716,233
Land improvements	8,107,234
Buildings and additions	68,984,464
Furniture and equipment	4,370,021
Vehicles	933,122
Equipment under capital leases	51,414
Net Capital Assets	<u>\$ 86,162,488</u>

Long-Term Debt

At year end, the District had total long-term debt of \$86.4 million of which the largest portion is \$71.7 million in general obligation bonds.

- The District continued to pay down its debt, retiring \$3.86 million of outstanding bonds, loans and leases.
- During the 2006-07 fiscal year the District purchased three buses by using the installment purchase agreement process. The District borrowed a total of \$182,652 to be paid over the next four years with the final payment due in November, 2011.
- The District has obtained a total of \$13.034 million from the Michigan School Bond Loan Fund for payment of annual maturities of its general obligation bonds as of June 30, 2007. The District borrowed \$1,262,086 during the fiscal year to meet bond obligations which is included in the total borrowed. The District is not required to make payments to the Michigan School Bond fund until the taxable value of the District increases to a point where it is able to make the debt payments and has funds available. The law requires that with our current debt structure the loan be paid back no later than five years before the retirement of the 2001 bond issue.
- The District's other long term obligations are for accumulated sick and vacation leave in the amount of \$73,770 and for a Voluntary Severance Plan which was implemented during the 2005-06 fiscal year. The total remaining obligation for the District is for \$600,000, which will be retired in equal installments over the next two fiscal years.

The District's bond rating for General Obligation, Unlimited Tax debt remains "A2" from Moody's Investors Service and "A+" from Standard & Poor's. The District's rating for General Obligation, Limited Tax debt remains "Aaa". The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a district's boundaries. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of seven existing circumstances that could significantly affect its financial health in the future:

- The District is plaintiff with other urban school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion special education aid to school districts.
- The District's growth in student count has helped the District in the last six years to increase programs and staff. However, student count is a variable that is hard to predict. The unknown factor of how many students will come to the District each year presents many challenges and opportunities for the District.
- During the 2006-07 the District received \$7,707 per student in State funds in the form of a foundation allowance. This was an increase of 2.72% over the previous year. However, the district had received the same foundation grant for the previous three years, which has not kept up with the rate of inflation. At the close of the fiscal year the State had not adopted a State Aid bill for the funding of education for the 2007-08 school year. However, since year end, the legislature has passed, under considerable debate, changes within the tax code providing adequate educational funding tied with significant cost reforms. It is management's hope a consistent revenue stream will provide a stable basis for educational operations.
- Byron Township implemented a Local Development Finance Authority several years ago to assist businesses in the community. By establishing the authority it enabled the businesses to use the non-homestead millage they paid to go directly to the State of Michigan instead of the District. These funds were used to pay for the bonds which financed the improvements to the infrastructure needed to open the businesses. In turn, the State of Michigan reimbursed the District for this loss in revenue. Currently, the State of Michigan is in the process of auditing five years of the Township's LDFA calculations. Depending on their findings this could result in payments due to the Township and/or in prior year adjustments in the District's State aid.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Byron Center Public Schools, 8542 Byron Center Avenue SW, Byron Center, MI 49315. Contact by e-mail: businessmgr@bcpsk12.net. Contact by phone: (616) 878-6100.

BASIC FINANCIAL STATEMENTS

BYRON CENTER PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2007

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 1,969
Cash equivalents, deposits and investments (Note B)	4,537,259
Taxes receivable (Note C)	44,952
Accounts receivable	18,803
Due from other governmental units (Note C)	3,509,113
Inventory (Note A)	11,972
Prepaid expenses	481,997
Total Current Assets	<u>8,606,065</u>
Noncurrent Assets	
Capital assets (Note E)	108,308,185
Less accumulated depreciation	(22,145,697)
Total Noncurrent Assets	<u>86,162,488</u>
Total Assets	<u>94,768,553</u>
Liabilities	
Current Liabilities	
Accounts payable	374,341
Due to other governmental units	520,514
Accrued interest payable	641,475
Salaries payable	1,827,495
Deferred revenue	162,877
Current portion of long term obligations	4,115,531
Total Current Liabilities	<u>7,642,233</u>
Noncurrent Liabilities (Notes A, F)	
General obligation bonds payable	71,715,000
Tax anticipation loan payable	500,000
State school bond loan payable	13,034,119
Installment purchase agreements payable	509,656
Voluntary severance plan	600,000
Accumulated sick leave	73,770
Current portion of long term obligations	(4,115,531)
Total Noncurrent Liabilities	<u>82,317,014</u>
Total Liabilities	<u>89,959,247</u>
Net Assets	
Invested in capital assets, net of related debt	641,947
Restricted for:	
Debt service	(424,779)
Capital projects	857,916
Unrestricted	3,734,222
Total Net Assets	<u><u>\$ 4,809,306</u></u>

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues Charges for Services	Operating Grants	Net (Expense) Revenue and Changes In Net Assets
Governmental Activities				
Instruction	\$ 18,577,933	\$ -	\$ 2,675,340	\$(15,902,593)
Supporting services	11,184,420	97,504	498,353	(10,588,563)
Community services	1,297,401	1,170,547	39,459	(87,395)
Food service	1,295,048	739,289	418,402	(137,357)
Athletics	892,115	124,879	-	(767,236)
Other	16,986	-	-	(16,986)
Interest on long-term debt	4,417,054	-	-	(4,417,054)
Total Governmental Activities	\$ 37,680,957	\$ 2,132,219	\$ 3,631,554	(31,917,184)
General Revenues				
Taxes:				
Property taxes, levied for general operations				5,281,767
Property taxes, levied for debt service				5,913,184
Property taxes, levied for capital improvements				832,753
State school aid, unrestricted				19,190,423
Interest and investment earnings				345,975
Loss on sale of capital assets				(1,870)
Other				188,770
Total General Revenues				31,751,002
Change in Net Assets				(166,182)
Net Assets - Beginning of Year				4,975,488
Net Assets - End of Year				\$ 4,809,306

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash	\$ 119	1,850	\$ 1,969
Cash equivalents, deposits and investments (Note B)	2,972,056	1,565,203	4,537,259
Receivables:			
Taxes (Note C)	31,166	13,786	44,952
Accounts	18,773	30	18,803
Due from other governmental units (Note C)	3,500,403	8,710	3,509,113
Inventory (Note A)	-	11,972	11,972
Prepaid expenditures	223,163	20,600	243,763
Total Assets	<u><u>\$6,745,680</u></u>	<u><u>\$ 1,622,151</u></u>	<u><u>\$ 8,367,831</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 374,341	\$ -	\$ 374,341
Due to other governmental units	520,514	-	520,514
Salaries payable	1,827,495	-	1,827,495
Deferred revenue	97,318	110,511	207,829
Total Liabilities	<u>2,819,668</u>	<u>110,511</u>	<u>2,930,179</u>
Fund Balances			
Reserved for:			
Debt service	-	204,479	204,479
Capital outlay	-	856,347	856,347
Unreserved:			
Designated for Byron Center television	42,064	-	42,064
Undesignated, reported in:			
General fund	3,883,948	-	3,883,948
Special revenue funds	-	450,814	450,814
Total Fund Balances	<u>3,926,012</u>	<u>1,511,640</u>	<u>5,437,652</u>
Total Liabilities and Fund Balances	<u><u>\$6,745,680</u></u>	<u><u>\$ 1,622,151</u></u>	<u><u>\$ 8,367,831</u></u>

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2007

Total governmental fund balances			\$ 5,437,652
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$108,308,185 and accumulated depreciation is \$22,145,697.			
			86,162,488
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.			
			238,234
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds	\$(71,715,000)		
Tax anticipation loan	(500,000)		
State school bond loan	(13,034,119)		
Installment purchase agreements	(509,656)		
Voluntary severance plan	(600,000)		
Accumulated sick leave	(73,770)		
			(86,432,545)
Accrued interest is not included as a liability in governmental funds.			
			(641,475)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			44,952
			<u>44,952</u>
Total net assets - governmental activities			<u><u>\$ 4,809,306</u></u>

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	General	Nonmajor	Total
Revenues			
Local sources	\$ 5,802,538	\$ 8,968,968	\$14,771,506
State sources	19,658,446	60,571	19,719,017
Federal sources	707,692	357,831	1,065,523
Interdistrict sources	1,997,978	39,459	2,037,437
Total Revenues	<u>28,166,654</u>	<u>9,426,829</u>	<u>37,593,483</u>
Expenditures			
Current:			
Instruction	16,595,195	-	16,595,195
Supporting services	11,291,694	-	11,291,694
Community services	280,072	950,276	1,230,348
Food service	-	1,185,518	1,185,518
Athletics	-	683,281	683,281
Capital outlay	-	1,115,652	1,115,652
Debt service:			
Principal repayment	144,539	3,720,000	3,864,539
Interest and fiscal charges	16,079	3,840,012	3,856,091
Total Expenditures	<u>28,327,579</u>	<u>11,494,739</u>	<u>39,822,318</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(160,925)</u>	<u>(2,067,910)</u>	<u>(2,228,835)</u>
Other Financing Sources (Uses)			
Loan proceeds	182,652	1,194,557	1,377,209
Transfers in	-	538,902	538,902
Transfers out	(538,902)	-	(538,902)
Other	(1,104)	-	(1,104)
Total Other Financing Sources (Uses)	<u>(357,354)</u>	<u>1,733,459</u>	<u>1,376,105</u>
Net Change in Fund Balances	(518,279)	(334,451)	(852,730)
Fund Balances, Beginning of Year	<u>4,444,291</u>	<u>1,846,091</u>	<u>6,290,382</u>
Fund Balances, End of Year	<u><u>\$ 3,926,012</u></u>	<u><u>\$ 1,511,640</u></u>	<u><u>\$ 5,437,652</u></u>

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2007

Net change in fund balances - total governmental funds \$ (852,730)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 1,467,577	
Depreciation expense	<u>(2,951,096)</u>	(1,483,519)

On the Statement of Activities proceeds from the sale of capital assets are replaced by the gain (loss) on the transaction. (8,370)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (70,338)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (1,944,738)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. (15,882)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:

Repayment of bonds	3,720,000	
Repayment of installment purchase agreements	<u>144,539</u>	3,864,539

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 6,566

In the Statement of Net Assets, accumulated sick leave is measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$343,518) exceeded the amounts earned (\$5,228). 338,290

Total changes in net assets - governmental activities \$ (166,182)

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 5,671,548	\$ 5,877,242	\$ 5,802,538	\$ (74,704)
State sources	19,699,815	19,724,003	19,658,446	(65,557)
Federal sources	733,346	904,193	707,692	(196,501)
Interdistrict sources	1,874,249	1,957,671	1,997,978	40,307
Total Revenues	<u>27,978,958</u>	<u>28,463,109</u>	<u>28,166,654</u>	<u>(296,455)</u>
Expenditures				
Current:				
Instruction:				
Basic programs	13,333,368	13,750,295	13,601,032	149,263
Added needs	2,751,485	2,819,844	2,994,163	(174,319)
Supporting services:				
Pupil services	579,392	629,051	1,519,023	(889,972)
Instructional staff services	878,471	867,671	870,823	(3,152)
General administrative services	726,146	723,586	671,228	52,358
School administrative services	1,601,646	1,574,538	1,567,201	7,337
Business services	303,172	358,623	376,143	(17,520)
Operation and maintenance services	3,860,670	3,722,100	3,728,479	(6,379)
Pupil transportation services	1,390,405	1,991,612	1,973,780	17,832
Central services	670,990	631,807	585,017	46,790
Community services	402,897	397,196	280,072	117,124
Debt service:				
Principal repayment	147,000	144,539	144,539	-
Interest and fiscal charges	16,516	15,853	16,079	(226)
Interdistrict	1,943,005	1,181,896	-	1,181,896
Total Expenditures	<u>28,605,163</u>	<u>28,808,611</u>	<u>28,327,579</u>	<u>481,032</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>(626,205)</u>	<u>(345,502)</u>	<u>(160,925)</u>	<u>184,577</u>
Other Financing Sources (Uses)				
Loan proceeds	200,000	182,652	182,652	-
Transfers out	(510,695)	(589,891)	(538,902)	50,989
Other	-	(156,685)	(1,104)	155,581
Total Other Financing Sources (Uses)	<u>(310,695)</u>	<u>(563,924)</u>	<u>(357,354)</u>	<u>206,570</u>
Net Change in Fund Balances	<u>(936,900)</u>	<u>(909,426)</u>	<u>(518,279)</u>	<u>391,147</u>
Fund Balances, July 1	<u>4,444,291</u>	<u>4,444,291</u>	<u>4,444,291</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,507,391</u>	<u>\$ 3,534,865</u>	<u>\$ 3,926,012</u>	<u>\$ 391,147</u>

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
Assets		
Cash equivalents, deposits and investments (Note B)	<u>\$ 13,459</u>	<u>\$ 165,810</u>
Liabilities		
Due to student groups	<u>-</u>	<u>\$ 165,810</u>
Net Assets		
Held in trust for: Individuals and organizations	<u>\$ 13,459</u>	

See accompanying notes to basic financial statements.

BYRON CENTER PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 687
Deductions	
Endowment activities - scholarships	150
Change In Net Assets	537
Net Assets, Beginning of Year	12,922
Net Assets, End of Year	<u>\$ 13,459</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note A – Summary of Significant Accounting Policies

Byron Center Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 3,153 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, preschool programs, athletic activities, special education, vocational education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Byron Center Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service, Athletic, Community Service, and VanSingel Fine Arts Center Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Byron Center Public Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Byron Center Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Furniture and equipment	3-10 years
Vehicles	5-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Accumulated Sick Leave/Voluntary Severance Plan

Accumulated sick leave and voluntary severance at June 30, 2007 has been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused sick days. At June 30, 2007, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated sick leave and voluntary severance amounted to \$73,770 and \$600,000, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2007 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:
Governmental activities

\$4,537,259

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Fiduciary Funds:	
Trust and Agency Funds	\$ 179,269
	<u>\$ 4,716,528</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Byron Bank
2. Comerica Bank

Cash equivalents consist of bank interest-earning super NOW accounts. Deposits consist of certificates of deposit.

Balances at June 30, 2007 related to cash equivalents and deposits are detailed in the Basic Financial Statements as follows:

Cash equivalents	\$ 2,626,375
Deposits	<u>11,602</u>
	<u>\$ 2,637,977</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$2,637,977 and the bank balance was \$2,992,186. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,892,186 was uninsured.

Investments

As of June 30, 2007 the District had the following investments:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Investment Pool Accounts:		
Comerica Bank	\$ 548,586	\$ 548,586
Michigan Liquid Asset Fund	<u>1,529,965</u>	<u>1,529,965</u>
	<u>\$ 2,078,551</u>	<u>\$ 2,078,551</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Credit Risk

The District's investments in the Comerica Bank and Michigan Liquid Asset Fund investment pools were unrated.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Interest Rate Risk

In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The District's investment policy requires that maturities do not exceed two (2) years.

Concentration of Credit Risk

The District minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by allowing no more than fifty percent (50%) of the total current investment portfolio to be invested in any one type of security

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2006 ad valorem State Education Taxes generated within the Byron Center Public School District, and paid to the State of Michigan, totaled \$5,056,131.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2006 and September 2006. The 2006-07 "Foundation Allowance" for Byron Center Public Schools was \$7,707 for 3,153 "Full Time Equivalent" students, generating \$19,201,060 in state aid payments to the District of which \$3,276,493 was paid to the District in July and August, 2007 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 under a split-levy system by the City of Wyoming, the Townships of Byron and Dorr, and the Charter Township of Gaines. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Allegan, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General Fund	Debt Service Funds	Building and Site Fund	Total
2006	\$ 8,861	\$ 2,576	\$ 375	\$ 11,812
2005	4,697	2,341	328	7,366
2004	17,608	7,300	866	25,774
	<u>\$ 31,166</u>	<u>\$ 12,217</u>	<u>\$ 1,569</u>	<u>\$ 44,952</u>

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Byron Center Public Schools' electors had previously (June 14, 1993) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2006.

The District levied 7.0 mills in 2006 for debt service purposes and .9835 mills for building and site, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases are limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Transfers

Interfund transfers during the year ended June 30, 2007 were as follows:

	Transfers In	Transfers Out
General Fund		
Special Revenue Funds:		
Athletics Fund	\$ —	\$ 533,652
VanSingel Fine Arts Center Fund	—	5,250
	<hr/>	<hr/>
Total General Fund	—	538,902
Special Revenue Funds		
Athletics Fund:		
General Fund	533,652	—
VanSingel Fine Arts Center Fund:		
General Fund	5,250	—
	<hr/>	<hr/>
Total Special Revenue Funds	538,902	—
	<hr/>	<hr/>
Total All Funds	\$ 538,902	\$ 538,902
	<hr/>	<hr/>

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Interfund transfers are essential to maintain the Special Revenue Funds of the District. The transfers assist each fund with payroll and employee benefits for coaches, food service employees, and child care workers. The transfer for the Van Singel Fine Arts Fund also includes a pro-ration for the cost of utilities for non-school use of the Van Singel Fine Arts Center. The District's intent is to appropriate expenditures to these funds on an actual basis to show the true costs of operation for these programs. By making the interfund transfer these expenditures can be allocated to each program as they occur.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balances July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2007</u>
Capital assets not depreciated:				
Land	\$ 3,716,233	\$ —	\$ —	\$ 3,716,233
Construction in progress	454,359	—	454,359	—
Capital assets being depreciated:				
Land improvements	12,578,926	188,536	—	12,767,462
Buildings and additions	80,450,332	963,946	—	81,414,278
Furniture and equipment	7,638,616	587,702	—	8,226,318
Vehicles	1,912,419	181,752	167,371	1,926,800
Equipment under capital leases	257,094	—	—	257,094
	<u>107,007,979</u>	<u>\$ 1,921,936</u>	<u>\$ 621,730</u>	<u>108,308,185</u>
Totals at historical cost				
Less accumulated depreciation for:				
Land improvements	\$ 4,104,415	\$ 555,813	\$ —	\$ 4,660,228
Buildings and additions	11,025,209	1,404,605	—	12,429,814
Furniture and equipment	3,059,953	796,344	—	3,856,297
Vehicles	1,009,765	142,914	159,001	993,678
Equipment under capital leases	154,260	51,420	—	205,680
	<u>19,353,602</u>	<u>\$ 2,951,096</u>	<u>\$ 159,001</u>	<u>22,145,697</u>
Total accumulated depreciation				
Net Capital Assets	<u>\$ 87,654,377</u>			<u>\$ 86,162,488</u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 2,319,255
Supporting services	246,425
Community services	67,053
Food service	109,530
Athletics	208,833
	<u>\$ 2,951,096</u>

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Note F – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2007 are summarized as follows:

	Bond Issues	Tax Anticipation Loan	State School Bond Loan	Installment Purchase Agreements	Voluntary Severance Plan/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt						
Debt Service Funds	\$ 204,479	\$ —	\$ —	\$ —	\$ —	\$ 204,479
Amounts To Be Provided For Retirement Of Long-Term Debt						
General Fund	—	—	—	509,656	673,770	1,183,426
Debt Service Funds	71,510,521	—	13,034,119	—	—	84,544,640
Capital Projects Fund	—	500,000	—	—	—	500,000
Total Amounts Available and To Be Provided	\$71,715,000	\$ 500,000	\$13,034,119	\$ 509,656	\$ 673,770	\$86,432,545

Changes in long-term debt for the year ended June 30, 2007 are summarized as follows:

	Debt Outstanding July 1, 2006	Debt Added	Debt Retired	Debt Outstanding June 30, 2007
General obligation bonds:				
May 1, 1995	\$ 2,760,000	\$ —	\$ —	\$ 2,760,000
May 1, 1997	200,000	—	200,000	—
May 1, 1998	22,765,000	—	1,470,000	21,295,000
November 13, 2001	43,700,000	—	1,225,000	42,475,000
March 2, 2005	5,295,000	—	110,000	5,185,000
Tax anticipation loan:				
July 28, 2005	715,000	—	715,000	—
July 26, 2006	—	500,000	—	500,000
State school bond loan	11,772,033	1,262,086	—	13,034,119
Installment purchase agreements	471,543	182,652	144,539	509,656
Voluntary severance plan	900,000	—	300,000	600,000
Accumulated sick leave	112,060	5,228	43,518	73,770
	\$ 88,690,636	\$ 1,949,966	\$ 4,208,057	\$ 86,432,545

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Long-term bonds, installment purchase agreements and capital leases at June 30, 2007 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$37,690M Building and Site May 1, 1995: Annual maturities of \$1,380M	May 1, 2009	8.25	\$ 2,760,000	\$ 1,380,000
\$24,895M Refunding May 1, 1998: Annual maturities of \$110M to \$1,580M	May 1, 2024	5.875 – 8.25	21,295,000	110,000
\$47,170M Building and Site November 13, 2001: Annual maturities of \$1,425M to \$1,800M	May 1, 2031	4.50 – 5.50	42,475,000	1,425,000
\$5,370M Refunding March 2, 2005: Annual maturities of \$245M to \$365M	May 1, 2022	3.00 – 4.00	5,185,000	245,000
Tax Anticipation Loan				
\$500M Building & Site July 26, 2006: Annual maturity of \$500M	June 1, 2008	4.620	500,000	500,000
Installment Purchase Agreements				
\$265M School Buses July 28, 2005: Annual maturity of \$53,035	July 30, 2009	3.43	159,105	53,035
\$265M School Buses July 28, 2004: Annual maturities of \$55,966	Oct. 4, 2009	3.30	167,899	55,966
\$183M School Buses December 15, 2006: Annual maturities of \$36,530	Nov. 11, 2011	3.365	182,652	36,530
			<u>\$ 72,724,656</u>	<u>\$ 3,805,531</u>

The District is required to obtain loans from the Michigan School Bond Loan fund for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year the District borrowed \$694,557 and accrued interest of \$567,529 was added to the District's liability to the Fund. At June 30, 2007, the District owed the Fund a total of \$13,034,119.

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding at June 30, 2007 are as follows:

Year Ended June 30	Principal	Interest	Total
2008	\$ 3,805,531	\$ 3,681,169	\$ 7,486,700
2009	3,505,533	3,485,787	6,991,320
2010	3,725,531	3,273,694	6,999,225
2011	3,716,531	3,101,884	6,818,415
2012	3,751,530	2,925,039	6,676,569
2013	3,730,000	2,734,928	6,464,928
2014	3,720,000	2,541,458	6,261,458
2015	3,705,000	2,347,718	6,052,718
2016	3,500,000	2,154,750	5,654,750
2017	3,500,000	1,974,350	5,474,350

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Year Ended June 30	Principal	Interest	Total
2018	\$ 3,490,000	\$ 1,794,000	\$ 5,284,000
2019	3,475,000	1,614,150	5,089,150
2020	3,470,000	1,444,050	4,914,050
2021	3,460,000	1,274,200	4,734,200
2022	3,445,000	1,104,850	4,549,850
2023	3,070,000	936,250	4,006,250
2024	3,055,000	782,750	3,837,750
2025	1,800,000	630,000	2,430,000
2026	1,800,000	540,000	2,340,000
2027	1,800,000	450,000	2,250,000
2028	1,800,000	360,000	2,160,000
2029	1,800,000	270,000	2,070,000
2030	1,800,000	180,000	1,980,000
2031	1,800,000	90,000	1,890,000
	<u>\$ 72,724,656</u>	<u>\$ 39,691,027</u>	<u>\$112,415,683</u>

Note G – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2007 was \$16,085,295. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 16.34% for the fiscal year ending September 30, 2006 and 17.74% for the fiscal year beginning October 1, 2006. The District's contributions to the plan for the fiscal years ended June 30, 2007, 2006 and 2005 were \$2,818,991, \$2,527,871 and \$2,230,700, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2005 (the latest reporting date available expressed as \$ in millions) for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$48,206. The MPSERS' net assets available for benefits on that date were \$38,211 leaving an unfunded pension benefit obligation of \$9,995. Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2006 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$2,462 from September 30, 2004 to September 30, 2005. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

Note H – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$128,386 in premiums to the Trust for the year ended June 30, 2007.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$300,000 of any workers' compensation or employers' liability loss out of a \$1,833,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2007, there were no material pending claims against the District. The District paid \$202,062 in premiums to the Fund for the year ended June 30, 2007.

BYRON CENTER PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2007

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note I – Commitments

On November 13, 2001, the District issued \$47,170,000 of general obligation building and site bonds whose proceeds are being used for land purchases, building renovations and additions and furniture and equipment purchases. At June 30, 2007, unspent balances committed to this construction project totaled approximately \$550,000, which are expected to be fully expended by the year ended June 30, 2008.

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2007, as follows:

	Budget	Actual	Unfavorable Variance
Special Revenue Funds:			
Food Service Fund	1,049,896	1,185,518	135,622
Athletics Fund	620,081	683,281	63,200

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 119	\$ -
Cash equivalents, deposits and investments	2,972,056	2,982,490
Receivables:		
Taxes	31,166	79,093
Accounts	18,773	6,318
Due from other governmental units	3,500,403	3,893,044
Prepaid expenditures	<u>223,163</u>	<u>1,795</u>
Total Assets	<u><u>\$ 6,745,680</u></u>	<u><u>\$ 6,962,740</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 374,341	\$ 380,059
Due to other governmental units	520,514	586,492
Salaries payable	1,827,495	1,402,691
Deferred revenue	<u>97,318</u>	<u>149,207</u>
Total Liabilities	<u>2,819,668</u>	<u>2,518,449</u>
Fund Balances		
Unreserved:		
Designated for projects in progress	-	93,394
Designated for Byron Center television	42,064	47,193
Undesignated	<u>3,883,948</u>	<u>4,303,704</u>
Total Fund Balances	<u>3,926,012</u>	<u>4,444,291</u>
Total Liabilities and Fund Balances	<u><u>\$ 6,745,680</u></u>	<u><u>\$ 6,962,740</u></u>

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2007 and 2006

	2007	2006
Local sources:		
Property taxes:		
Current property taxes	\$ 5,230,684	\$ 4,850,535
Delinquent property taxes	9,509	34,952
Other taxes	77,957	-
Interest on delinquent taxes	11,544	17,239
	<u>5,329,694</u>	<u>4,902,726</u>
Interest earnings:		
Interest on deposits and investments	162,844	104,942
Other local revenue:		
Summer school tuition	4,080	7,200
Field trips	8,617	9,733
Cablevision fees	89,983	85,721
Pool fees	16,130	63,569
Universal service credit	37,288	37,387
Rental of school facilities	10,200	16,325
Donations	31,416	-
Sale of school property	6,500	810,184
Township reimbursements	24,939	28,990
Refunds of expenditures	79,044	72,595
Miscellaneous	1,803	14,056
	<u>310,000</u>	<u>1,145,760</u>
Total local sources	5,802,538	6,153,428
State sources:		
State aid	19,588,261	18,756,691
FICA/retirement reimbursement	24,163	24,163
Special education - itinerants	46,022	62,470
School improvement	-	1,958
Total state sources	<u>19,658,446</u>	<u>18,845,282</u>
Federal sources:		
Title I	104,394	36,196
Title IIA	63,103	93,360
Title V	499	1,230
I.D.E.A. program	536,107	542,443
Medicaid - school based	2,223	4,037
Homeland security	-	7,323
Drug free schools	1,366	7,473
Total federal sources	<u>707,692</u>	<u>692,062</u>
Interdistrict sources:		
Special education - county	1,419,624	1,291,946
Special education - transportation	452,331	467,660
Special education - other local districts	27,184	43,947
Durant settlement reimbursements	11,524	23,234
Medicaid fee for service	85,036	126,874
Other	2,279	829
Total interdistrict sources	<u>1,997,978</u>	<u>1,954,490</u>
Total Revenues	<u><u>\$ 28,166,654</u></u>	<u><u>\$ 27,645,262</u></u>

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 3,039,086	\$ 2,943,574
Employee benefits	1,478,675	1,360,272
Purchased services	86,028	21,278
Supplies	102,886	112,130
Miscellaneous	-	4,422
	<u>4,706,675</u>	<u>4,441,676</u>
Middle school:		
Salaries	2,578,389	2,771,349
Employee benefits	1,482,186	1,274,436
Purchased services	74,935	19,844
Supplies	75,184	110,091
Capital outlay	-	39,666
Miscellaneous	1,080	3,903
	<u>4,211,774</u>	<u>4,219,289</u>
High school:		
Salaries	2,854,990	2,615,849
Employee benefits	1,406,131	1,203,132
Purchased services	112,798	42,235
Supplies	142,201	110,617
Capital outlay	108,608	18,338
Miscellaneous	950	1,095
	<u>4,625,678</u>	<u>3,991,266</u>
At risk preschool:		
Salaries	38,378	22,848
Employee benefits	10,642	7,054
Purchased services	3,144	1,726
Supplies	4,581	39,813
Miscellaneous	160	409
	<u>56,905</u>	<u>71,850</u>
Total basic programs	13,601,032	12,724,081
Added needs:		
Special education:		
Salaries	1,242,929	1,326,982
Employee benefits	620,651	638,425
Purchased services	3,022	4,570
Supplies	24,348	32,967
Capital outlay	-	2,408
Payment to other districts	398,270	-
	<u>2,289,220</u>	<u>2,005,352</u>
Compensatory education:		
Salaries	202,247	171,931
Employee benefits	63,095	57,874
Purchased services	420	5,762
Supplies	59,922	29,970
	<u>325,684</u>	<u>265,537</u>

(Continued)

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Vocational education:		
Salaries	\$ 230,468	\$ 212,825
Employee benefits	106,885	95,967
Purchased services	2,754	2,626
Supplies	16,487	33,855
Capital outlay	22,665	8,612
	<u>379,259</u>	<u>353,885</u>
Total added needs	2,994,163	2,624,774
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	319,855	272,261
Employee benefits	156,265	110,339
Purchased services	1,336	820
Supplies	3,071	15,183
Miscellaneous	165	130
	<u>480,692</u>	<u>398,733</u>
Physical therapist services:		
Salaries	-	1,404
Employee benefits	-	107
Purchased services	644	1,220
Supplies	633	1,067
Capital outlay	1,259	-
Payment to other districts	140,324	-
	<u>142,860</u>	<u>3,798</u>
Psychological services:		
Salaries	-	39,300
Employee benefits	-	12,605
Purchased services	17,522	24,739
Supplies	2,197	601
Capital outlay	1,204	-
Payment to other districts	67,561	-
	<u>88,484</u>	<u>77,245</u>
Speech pathology services:		
Salaries	6,415	-
Employee benefits	1,393	172
Purchased services	1,574	1,505
Supplies	2,308	1,688
Capital outlay	2,530	2,408
Payment to other districts	242,789	-
	<u>257,009</u>	<u>5,773</u>
Social worker services:		
Purchased services	990	1,531
Supplies	880	1,181
Capital outlay	1,204	-
Payment to other districts	228,540	-
	<u>231,614</u>	<u>2,712</u>

(Continued)

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Teacher consultant services:		
Purchased services	\$ 1,048	\$ 138
Supplies	170	369
Payment to other districts	201,005	-
	<u>202,223</u>	<u>507</u>
Other pupil services:		
Salaries	89,288	85,437
Employee benefits	26,853	23,668
	<u>116,141</u>	<u>109,105</u>
Total pupil services	1,519,023	597,873
Instructional staff services:		
Improvement of instruction:		
Salaries	73,600	21,508
Employee benefits	33,659	4,864
Purchased services	22,396	30,243
Supplies	2,353	5,659
Miscellaneous	111	-
	<u>132,119</u>	<u>62,274</u>
Educational media services:		
Salaries	151,577	140,653
Employee benefits	51,421	47,486
Purchased services	2,072	1,924
Supplies	24,757	27,240
	<u>229,827</u>	<u>217,303</u>
Supervision and direction of instruction:		
Salaries	311,436	304,019
Employee benefits	148,090	128,780
Purchased services	8,867	8,050
Supplies	3,825	3,228
Capital outlay	-	2,408
Miscellaneous	905	1,752
	<u>473,123</u>	<u>448,237</u>
Academic student assessment:		
Salaries	15,203	18,575
Employee benefits	2,263	5,539
Purchased services	18,288	21,292
	<u>35,754</u>	<u>45,406</u>
Total instructional staff services	870,823	773,220
General administrative services:		
Board of education:		
Salaries	3,150	2,970
Purchased services	56,230	62,219
Miscellaneous	248	4,950
	<u>59,628</u>	<u>70,139</u>

(Continued)

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Executive administration:		
Salaries	\$ 330,831	\$ 344,048
Employee benefits	177,644	155,824
Purchased services	38,820	50,294
Supplies	19,178	16,456
Capital outlay	4,365	2,903
Miscellaneous	40,762	27,099
	<u>611,600</u>	<u>596,624</u>
Total general administrative services	671,228	666,763
School administrative services:		
Office of the principal:		
Salaries	997,361	984,376
Employee benefits	481,207	446,400
Purchased services	36,910	45,433
Supplies	42,093	34,802
Miscellaneous	9,630	13,753
	<u>1,567,201</u>	<u>1,524,764</u>
Total school administrative services	1,567,201	1,524,764
Business services:		
Fiscal services:		
Salaries	202,886	165,886
Employee benefits	104,200	83,058
Purchased services	3,083	2,902
Supplies	3,832	3,672
Miscellaneous	322	571
	<u>314,323</u>	<u>256,089</u>
Other business services:		
Purchased services	12,551	12,334
Miscellaneous	49,269	101,850
	<u>61,820</u>	<u>114,184</u>
Total business services	376,143	370,273
Operation and maintenance services:		
Operation and maintenance:		
Salaries	1,212,383	1,129,807
Employee benefits	747,271	680,472
Purchased services	549,236	547,366
Supplies	1,170,091	1,054,145
Capital outlay	586	28,905
Miscellaneous	1,362	2,194
	<u>3,680,929</u>	<u>3,442,889</u>
Security services:		
Purchased services	47,404	45,994
Supplies	146	305
	<u>47,550</u>	<u>46,299</u>
Total operation and maintenance services	3,728,479	3,489,188

(Continued)

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	2007	2006
Pupil transportation services:		
Pupil transportation:		
Salaries	\$ 699,532	\$ 663,490
Employee benefits	261,408	226,228
Purchased services	49,054	68,253
Supplies	162,701	164,532
Capital outlay	181,752	223,866
Miscellaneous	1,697	1,858
Payment to other districts	617,636	-
Total pupil transportation services	1,973,780	1,348,227
Central services:		
Marketing:		
Salaries	51,408	50,375
Employee benefits	33,041	30,532
Purchased services	39,180	57,025
Supplies	2,934	3,425
	126,563	141,357
Staff services:		
Purchased services	17,637	22,788
Supplies	944	-
Miscellaneous	-	35
Payment to other districts	30,778	-
	49,359	22,823
Technology services:		
Salaries	152,955	141,419
Employee benefits	73,522	70,057
Purchased services	91,521	94,696
Supplies	37,356	36,036
Capital outlay	53,741	116,110
	409,095	458,318
Total central services	585,017	622,498
Community services:		
Community pool:		
Salaries	68,307	160,295
Employee benefits	35,276	71,068
Purchased services	45,805	21,267
Supplies	21,886	81,446
Miscellaneous	689	689
	171,963	334,765
Byron Center television:		
Salaries	42,310	43,684
Employee benefits	23,562	23,919
Purchased services	1,932	1,642
Supplies	3,032	1,846
Capital outlay	24,276	3,516
	95,112	74,607

(Continued)

BYRON CENTER PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Non-public school pupils:		
Salaries	\$ 2,250	\$ 601
Employee benefits	485	147
Purchased services	9,562	11,674
Supplies	700	1,816
	<u>12,997</u>	<u>14,238</u>
Total community services	280,072	423,610
Debt service:		
Principal repayment	144,539	123,632
Interest and fiscal charges	16,079	13,315
Total debt service	160,618	136,947
Interdistrict:		
Special education - tuition	-	372,442
Special education - transportation	-	561,383
Special education - itinerant services	-	695,732
Special education services	-	50,114
Total interdistrict	<u>-</u>	<u>1,679,671</u>
Total Expenditures	<u><u>\$ 28,327,579</u></u>	<u><u>\$ 26,981,889</u></u>

NONMAJOR FUNDS

BYRON CENTER PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	Special Revenue			
	Food Service	Athletics	Community Service	VanSingel Fine Arts Center
Assets				
Cash	\$ -	\$ 1,800	\$ -	\$ 50
Cash equivalents, deposits and investments	17,980	6,721	442,204	37,472
Receivables:				
Taxes	-	-	-	-
Accounts	30	-	-	-
Due from other governmental units	8,710	-	-	-
Inventory	11,972	-	-	-
Prepaid expenditures	-	-	-	20,600
Total Assets	<u>\$ 38,692</u>	<u>\$ 8,521</u>	<u>\$ 442,204</u>	<u>\$ 58,122</u>
Liabilities and Fund Balances				
Liabilities				
Deferred revenue	<u>\$ 11,808</u>	<u>\$ -</u>	<u>\$ 70,759</u>	<u>\$ 14,158</u>
Fund Balances				
Reserved for debt service	-	-	-	-
Reserved for capital outlay	-	-	-	-
Unreserved:				
Undesignated	<u>26,884</u>	<u>8,521</u>	<u>371,445</u>	<u>43,964</u>
Total Fund Balances	<u>26,884</u>	<u>8,521</u>	<u>371,445</u>	<u>43,964</u>
Total Liabilities and Fund Balances	<u>\$ 38,692</u>	<u>\$ 8,521</u>	<u>\$ 442,204</u>	<u>\$ 58,122</u>

Debt Service					Capital Projects		
1995	1997	1998	2001	2005	Building and Site	2001 Construction	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,850
17,450	9,183	163,800	(5,948)	19,994	307,761	548,586	1,565,203
1,786	1,242	4,121	4,758	310	1,569	-	13,786
-	-	-	-	-	-	-	30
-	-	-	-	-	-	-	8,710
-	-	-	-	-	-	-	11,972
-	-	-	-	-	-	-	20,600
<u>\$ 19,236</u>	<u>\$ 10,425</u>	<u>\$167,921</u>	<u>\$ (1,190)</u>	<u>\$ 20,304</u>	<u>\$309,330</u>	<u>\$ 548,586</u>	<u>\$1,622,151</u>
<u>\$ 1,786</u>	<u>\$ 1,242</u>	<u>\$ 4,121</u>	<u>\$ 4,758</u>	<u>\$ 310</u>	<u>\$ 1,569</u>	<u>\$ -</u>	<u>\$ 110,511</u>
17,450	9,183	163,800	(5,948)	19,994	-	-	204,479
-	-	-	-	-	307,761	548,586	856,347
-	-	-	-	-	-	-	450,814
<u>17,450</u>	<u>9,183</u>	<u>163,800</u>	<u>(5,948)</u>	<u>19,994</u>	<u>307,761</u>	<u>548,586</u>	<u>1,511,640</u>
<u>\$ 19,236</u>	<u>\$ 10,425</u>	<u>\$167,921</u>	<u>\$ (1,190)</u>	<u>\$ 20,304</u>	<u>\$309,330</u>	<u>\$ 548,586</u>	<u>\$1,622,151</u>

BYRON CENTER PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2007

	Special Revenue			
	Food Service	Athletics	Community Service	VanSingel Fine Arts Center
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest earnings	2,655	1,214	16,297	4,816
Sales and admissions	739,289	124,879	-	125,738
Other local sources	-	-	799,431	139,265
Total local sources	741,944	126,093	815,728	269,819
State sources	60,571	-	-	-
Federal sources	357,831	-	-	-
Interdistrict sources	-	-	-	39,459
Total Revenues	1,160,346	126,093	815,728	309,278
Expenditures				
Current:				
Community services	-	-	615,979	334,297
Food service	1,185,518	-	-	-
Athletics	-	683,281	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal repayment	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,185,518	683,281	615,979	334,297
Excess (Deficiency) of Revenues Over Expenditures	(25,172)	(557,188)	199,749	(25,019)
Other Financing Sources				
Loan proceeds	-	-	-	-
Transfers in	-	533,652	-	5,250
Total Other Financing Sources	-	533,652	-	5,250
Net Change in Fund Balances	(25,172)	(23,536)	199,749	(19,769)
Fund Balances, July 1	52,056	32,057	171,696	63,733
Fund Balances, June 30	\$ 26,884	\$ 8,521	\$ 371,445	\$ 43,964

Debt Service					Capital Projects		
1995	1997	1998	2001	2005	Building and Site	2001 Construction	Total
\$206,710	\$187,348	\$2,541,436	\$2,692,780	\$304,537	\$835,537	\$ -	\$6,768,348
5,285	7,198	39,823	30,255	6,745	34,995	33,848	183,131
-	-	-	-	-	-	-	989,906
-	-	-	-	-	13,767	75,120	1,027,583
211,995	194,546	2,581,259	2,723,035	311,282	884,299	108,968	8,968,968
-	-	-	-	-	-	-	60,571
-	-	-	-	-	-	-	357,831
-	-	-	-	-	-	-	39,459
211,995	194,546	2,581,259	2,723,035	311,282	884,299	108,968	9,426,829
-	-	-	-	-	-	-	950,276
-	-	-	-	-	-	-	1,185,518
-	-	-	-	-	-	-	683,281
-	-	-	-	-	478,584	637,068	1,115,652
-	200,000	1,470,000	1,225,000	110,000	715,000	-	3,720,000
228,314	14,221	1,135,561	2,235,760	201,176	24,980	-	3,840,012
228,314	214,221	2,605,561	3,460,760	311,176	1,218,564	637,068	11,494,739
(16,319)	(19,675)	(24,302)	(737,725)	106	(334,265)	(528,100)	(2,067,910)
-	-	-	694,557	-	500,000	-	1,194,557
-	-	-	-	-	-	-	538,902
-	-	-	694,557	-	500,000	-	1,733,459
(16,319)	(19,675)	(24,302)	(43,168)	106	165,735	(528,100)	(334,451)
33,769	28,858	188,102	37,220	19,888	142,026	1,076,686	1,846,091
\$ 17,450	\$ 9,183	\$ 163,800	\$ (5,948)	\$ 19,994	\$307,761	\$ 548,586	\$1,511,640

BYRON CENTER PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 701,176	\$ 741,944	\$ 40,768
State sources	53,767	60,571	6,804
Federal sources	314,524	357,831	43,307
	<hr/>	<hr/>	<hr/>
Total Revenues	1,069,467	1,160,346	90,879
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
Food service	1,049,896	1,185,518	(135,622)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	19,571	(25,172)	(44,743)
	<hr/>	<hr/>	<hr/>
Fund Balances, July 1	52,056	52,056	-
	<hr/>	<hr/>	<hr/>
Fund Balances, June 30	<u>\$ 71,627</u>	<u>\$ 26,884</u>	<u>\$ (44,743)</u>

BYRON CENTER PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 103,686	\$ 126,093	\$ 22,407
Expenditures			
Current:			
Athletics	620,081	683,281	(63,200)
Excess (Deficiency) of Revenues Over Expenditures	(516,395)	(557,188)	(40,793)
Other Financing Sources			
Transfers in	516,395	533,652	17,257
Net Change in Fund Balances	-	(23,536)	(23,536)
Fund Balances, July 1	32,057	32,057	-
Fund Balances, June 30	\$ 32,057	\$ 8,521	\$ (23,536)

BYRON CENTER PUBLIC SCHOOLS
Community Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 676,143	\$ 815,728	\$ 139,585
Expenditures			
Current:			
Community services	664,574	615,979	48,595
Net Change in Fund Balances	11,569	199,749	188,180
Fund Balances, July 1	149,007	171,696	-
Fund Balances, June 30	<u>\$ 160,576</u>	<u>\$ 371,445</u>	<u>\$ 188,180</u>

BYRON CENTER PUBLIC SCHOOLS
VanSingel Fine Arts Center Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2007

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 260,400	\$ 269,819	\$ 9,419
Interdistrict sources	79,468	39,459	(40,009)
Total Revenues	<u>339,868</u>	<u>309,278</u>	<u>(30,590)</u>
Expenditures			
Current:			
Community services	401,675	334,297	67,378
Excess (Deficiency) of Revenues Over Expenditures	<u>(61,807)</u>	<u>(25,019)</u>	<u>36,788</u>
Other Financing Sources			
Transfers in	14,300	5,250	(9,050)
Net Change in Fund Balances	(47,507)	(19,769)	27,738
Fund Balances, July 1	<u>63,733</u>	<u>63,733</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 16,226</u></u>	<u><u>\$ 43,964</u></u>	<u><u>\$ 27,738</u></u>

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

Community Service—to account for fees received for use in childcare and preschool services for residents of the District.

Van Singel Fine Arts Center—to account for admission fees, donations and interest earnings for use in the operation and maintenance of the District's fine arts performance center.

BYRON CENTER PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 17,980	\$ 36,670
Accounts receivable	30	4,020
Due from other governmental units	8,710	7,691
Inventory	<u>11,972</u>	<u>14,518</u>
Total Assets	<u><u>\$ 38,692</u></u>	<u><u>\$ 62,899</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 1,186
Due to other governmental units	-	976
Deferred revenue	<u>11,808</u>	<u>8,681</u>
Total Liabilities	<u>11,808</u>	<u>10,843</u>
Fund Balances		
Unreserved:		
Undesignated	<u>26,884</u>	<u>52,056</u>
Total Liabilities and Fund Balances	<u><u>\$ 38,692</u></u>	<u><u>\$ 62,899</u></u>

BYRON CENTER PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 2,655	\$ 2,309
Sales and admissions:		
Children's breakfasts	10,972	8,252
Children's lunches	485,514	455,569
Adult lunches	19,273	19,482
Milk	12,211	11,048
Ala carte	173,834	163,270
Banquets	32,390	45,689
Other	5,095	4,747
	<u>739,289</u>	<u>708,057</u>
Total local sources	741,944	710,366
State sources	60,571	54,784
Federal sources	<u>357,831</u>	<u>293,204</u>
Total Revenues	<u>1,160,346</u>	<u>1,058,354</u>
Expenditures		
Current:		
Food service:		
Salaries	372,331	351,058
Employee benefits	153,925	141,772
Purchased services	40,686	23,887
Supplies	585,581	488,323
Capital outlay	27,186	-
Miscellaneous	5,809	6,258
	<u>1,185,518</u>	<u>1,011,298</u>
Total Expenditures	<u>1,185,518</u>	<u>1,011,298</u>
Net Change in Fund Balances	(25,172)	47,056
Fund Balances, July 1	<u>52,056</u>	<u>5,000</u>
Fund Balances, June 30	<u><u>\$ 26,884</u></u>	<u><u>\$ 52,056</u></u>

BYRON CENTER PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 1,800	\$ -
Cash equivalents, deposits and investments	6,721	16,184
Accounts receivable	<u>-</u>	<u>21,547</u>
Total Assets	<u><u>\$ 8,521</u></u>	<u><u>\$ 37,731</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 4,020
Due to other funds	-	930
Due to other governmental units	<u>-</u>	<u>724</u>
Total Liabilities	<u>-</u>	<u>5,674</u>
Fund Balances		
Unreserved:		
Undesignated	<u>8,521</u>	<u>32,057</u>
Total Liabilities and Fund Balances	<u><u>\$ 8,521</u></u>	<u><u>\$ 37,731</u></u>

BYRON CENTER PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 1,214	\$ 821
Sales and admissions:		
Gate receipts	90,294	124,320
Fees	4,042	9,700
Rental of school facilities	9,622	9,425
Donations	10,702	24,767
Vending sales	3,009	4,198
Other revenue	7,210	26,293
	<u>124,879</u>	<u>198,703</u>
Total Revenues	<u>126,093</u>	<u>199,524</u>
Expenditures		
Current:		
Athletics:		
Salaries	373,004	332,934
Employee benefits	124,705	107,156
Purchased services	73,750	86,974
Supplies	58,629	72,895
Capital outlay	33,680	5,350
Miscellaneous	19,513	23,224
	<u>683,281</u>	<u>628,533</u>
Total Expenditures	<u>683,281</u>	<u>628,533</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(557,188)</u>	<u>(429,009)</u>
Other Financing Sources		
Transfers in	<u>533,652</u>	<u>456,321</u>
Net Change in Fund Balances	<u>(23,536)</u>	<u>27,312</u>
Fund Balances, July 1	<u>32,057</u>	<u>4,745</u>
Fund Balances, June 30	<u><u>\$ 8,521</u></u>	<u><u>\$ 32,057</u></u>

BYRON CENTER PUBLIC SCHOOLS
Community Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 442,204</u>	<u>\$ 251,806</u>
Liabilities and Fund Balances		
Liabilities		
Due to other governmental units	\$ -	\$ 300
Deferred revenue	<u>70,759</u>	<u>79,810</u>
Total Liabilities	<u>70,759</u>	<u>80,110</u>
Fund Balances		
Unreserved:		
Undesignated	<u>371,445</u>	<u>171,696</u>
Total Liabilities and Fund Balances	<u>\$ 442,204</u>	<u>\$ 251,806</u>

BYRON CENTER PUBLIC SCHOOLS
Community Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 16,297	\$ 5,458
Other local sources:		
Preschool fees	92,723	108,628
Driver education fees	47,938	38,428
Daycare fees	656,485	539,286
Fund raising	210	3,734
Donations	2,000	-
Miscellaneous	75	1,711
	<u>799,431</u>	<u>691,787</u>
Total Revenues	<u>815,728</u>	<u>697,245</u>
Expenditures		
Current:		
Community services:		
Child care:		
Salaries	345,410	307,796
Employee benefits	121,660	117,189
Purchased services	2,779	2,718
Supplies	15,082	22,003
Capital outlay	608	120
Miscellaneous	4,601	2,667
	<u>490,140</u>	<u>452,493</u>
Preschool:		
Salaries	70,578	63,652
Employee benefits	18,606	15,775
Purchased services	-	111
Supplies	1,581	3,052
	<u>90,765</u>	<u>82,590</u>
Leisure time:		
Employee benefits	-	300
Purchased services	298	470
	<u>298</u>	<u>770</u>
Driver education:		
Salaries	18,247	21,269
Employee benefits	4,814	4,949
Purchased services	8,770	9,176
Supplies	2,945	3,016
Miscellaneous	0	20
	<u>34,776</u>	<u>38,430</u>
Total Expenditures	<u>615,979</u>	<u>574,283</u>
Net Change in Fund Balances	199,749	122,962
Fund Balances, July 1	<u>171,696</u>	<u>48,734</u>
Fund Balances, June 30	<u><u>\$ 371,445</u></u>	<u><u>\$ 171,696</u></u>

BYRON CENTER PUBLIC SCHOOLS
VanSingel Fine Arts Center Special Revenue Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 50	\$ -
Cash equivalents, deposits and investments	37,472	83,909
Prepaid expenditures	<u>20,600</u>	<u>17,235</u>
Total Assets	<u><u>\$ 58,122</u></u>	<u><u>\$ 101,144</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 5,906
Deferred revenue	<u>14,158</u>	<u>31,505</u>
Total Liabilities	<u>14,158</u>	<u>37,411</u>
 Fund Balances		
Unreserved:		
Undesignated	<u>43,964</u>	<u>63,733</u>
Total Liabilities and Fund Balances	<u><u>\$ 58,122</u></u>	<u><u>\$ 101,144</u></u>

BYRON CENTER PUBLIC SCHOOLS
VanSingel Fine Arts Center Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 4,816	\$ 3,350
Sales and admissions:		
Ticket sales	125,738	123,864
Other local sources:		
Advertising	-	4,350
Rental of facilities	27,262	21,008
Donations	104,823	85,113
Miscellaneous	7,180	5,838
	<u>139,265</u>	<u>116,309</u>
Total local sources	269,819	243,523
Interdistrict sources:		
Theater arts program	39,459	76,536
Total Revenues	<u>309,278</u>	<u>320,059</u>
Expenditures		
Current:		
Community services:		
Community and special projects:		
Salaries	110,963	121,021
Employee benefits	34,428	42,091
Purchased services	150,790	189,887
Supplies	25,292	46,778
Capital outlay	10,250	15,500
Miscellaneous	2,574	3,257
	<u>334,297</u>	<u>418,534</u>
Total Expenditures	<u>334,297</u>	<u>418,534</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(25,019)</u>	<u>(98,475)</u>
Other Financing Sources		
Transfers in	5,250	12,520
	<u>5,250</u>	<u>12,520</u>
Net Change in Fund Balances	(19,769)	(85,955)
Fund Balances, July 1	<u>63,733</u>	<u>149,688</u>
Fund Balances, June 30	<u><u>\$ 43,964</u></u>	<u><u>\$ 63,733</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

BYRON CENTER PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2007

	<u>1995</u>	<u>1997</u>	<u>1998</u>	<u>2001</u>
Assets				
Cash equivalents, deposits and investments	\$ 17,450	\$ 9,183	\$ 163,800	\$ (5,948)
Taxes receivables	<u>1,786</u>	<u>1,242</u>	<u>4,121</u>	<u>4,758</u>
Total Assets	<u><u>\$ 19,236</u></u>	<u><u>\$ 10,425</u></u>	<u><u>\$ 167,921</u></u>	<u><u>\$ (1,190)</u></u>
 Liabilities and Fund Balances				
Liabilities				
Deferred revenue	<u>\$ 1,786</u>	<u>\$ 1,242</u>	<u>\$ 4,121</u>	<u>\$ 4,758</u>
Fund Balances				
Reserved for debt service	<u>17,450</u>	<u>9,183</u>	<u>163,800</u>	<u>(5,948)</u>
Total Liabilities and Fund Balances	<u><u>\$ 19,236</u></u>	<u><u>\$ 10,425</u></u>	<u><u>\$ 167,921</u></u>	<u><u>\$ (1,190)</u></u>

2005	Totals	
	2007	2006
\$ 19,994	\$ 204,479	\$ 307,837
310	12,217	31,844
<u>\$ 20,304</u>	<u>\$ 216,696</u>	<u>\$ 339,681</u>

<u>\$ 310</u>	<u>\$ 12,217</u>	<u>\$ 31,844</u>
<u>19,994</u>	<u>204,479</u>	<u>307,837</u>
<u>\$ 20,304</u>	<u>\$ 216,696</u>	<u>\$ 339,681</u>

BYRON CENTER PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2007

	1995	1997	1998	2001
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 202,127	\$ 185,290	\$2,526,652	\$ 2,678,541
Industrial facilities taxes	621	570	7,765	8,231
Delinquent property taxes	631	268	1,130	1,082
Other taxes	2,591	875	2,680	1,915
Interest on delinquent taxes	740	345	3,209	3,011
	<u>206,710</u>	<u>187,348</u>	<u>2,541,436</u>	<u>2,692,780</u>
Interest earnings:				
Interest on deposits and investments	<u>5,285</u>	<u>7,198</u>	<u>39,823</u>	<u>30,255</u>
Total Revenues	<u>211,995</u>	<u>194,546</u>	<u>2,581,259</u>	<u>2,723,035</u>
Expenditures				
Debt service:				
Principal repayment	-	200,000	1,470,000	1,225,000
Interest and fiscal charges:				
Interest expense	227,700	13,800	1,134,243	2,234,625
Paying agent fees	400	300	300	250
Tax refunds	214	121	1,018	885
	<u>228,314</u>	<u>214,221</u>	<u>2,605,561</u>	<u>3,460,760</u>
Total Expenditures	<u>228,314</u>	<u>214,221</u>	<u>2,605,561</u>	<u>3,460,760</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,319)</u>	<u>(19,675)</u>	<u>(24,302)</u>	<u>(737,725)</u>
Other Financing Sources				
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>694,557</u>
Net Change in Fund Balances	<u>(16,319)</u>	<u>(19,675)</u>	<u>(24,302)</u>	<u>(43,168)</u>
Fund Balances, July 1	<u>33,769</u>	<u>28,858</u>	<u>188,102</u>	<u>37,220</u>
Fund Balances, June 30	<u>\$ 17,450</u>	<u>\$ 9,183</u>	<u>\$ 163,800</u>	<u>\$ (5,948)</u>

2005	Totals	
	2007	2006
\$ 303,198	\$5,895,808	\$ 5,365,474
932	18,119	23,643
59	3,170	13,928
19	8,080	-
329	7,634	9,850
304,537	5,932,811	5,412,895
6,745	89,306	57,827
311,282	6,022,117	5,470,722
110,000	3,005,000	2,820,000
200,843	3,811,211	3,982,869
241	1,491	1,491
92	2,330	558
311,176	6,820,032	6,804,918
106	(797,915)	(1,334,196)
-	694,557	1,353,744
106	(103,358)	19,548
19,888	307,837	288,289
<u>\$ 19,994</u>	<u>\$ 204,479</u>	<u>\$ 307,837</u>

CAPITAL PROJECTS FUNDS

Building and Site—to account for property tax revenues and interest earnings used to finance building improvements projects.

2001 Construction—to account for bond proceeds used to finance building construction and improvement projects.

BYRON CENTER PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	\$ 307,761	\$ 142,026
Taxes receivable	<u>1,569</u>	<u>4,353</u>
Total Assets	<u><u>\$ 309,330</u></u>	<u><u>\$ 146,379</u></u>
 Liabilities and Fund Balances		
Liabilities		
Deferred revenue	<u>\$ 1,569</u>	<u>\$ 4,353</u>
Fund Balances		
Reserved for capital outlay	<u>307,761</u>	<u>142,026</u>
Total Liabilities and Fund Balances	<u><u>\$ 309,330</u></u>	<u><u>\$ 146,379</u></u>

BYRON CENTER PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	2007	2006
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 828,162	\$ 753,797
Industrial facilities taxes	2,546	3,371
Delinquent property taxes	448	2,017
Other property taxes	3,313	-
Interest on delinquent taxes	1,068	1,391
Total property taxes	<u>835,537</u>	<u>760,576</u>
Interest earnings:		
Interest on deposits and investments	<u>34,995</u>	<u>32,252</u>
Other local sources:		
Miscellaneous	<u>13,767</u>	<u>23,626</u>
Total other local sources	<u>13,767</u>	<u>23,626</u>
Total Revenues	<u>884,299</u>	<u>816,454</u>
Expenditures		
Facilities acquisition:		
Land and improvements	43,362	1,061,077
Construction manager	15,872	-
Architect services	8,907	15,133
Building improvements	410,116	250,756
Tax refunds	327	78
Debt service:		
Principal repayment	715,000	-
Interest and fiscal charges:		
Interest expense	24,954	42,005
Paying agent fees	26	-
Total Expenditures	<u>1,218,564</u>	<u>1,369,049</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(334,265)</u>	<u>(552,595)</u>
Other Financing Sources		
Loan proceeds	<u>500,000</u>	<u>715,000</u>
Net Change in Fund Balances	165,735	162,405
Fund Balances, July 1	<u>142,026</u>	<u>(20,379)</u>
Fund Balances, June 30	<u><u>\$ 307,761</u></u>	<u><u>\$ 142,026</u></u>

BYRON CENTER PUBLIC SCHOOLS
2001 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 548,586</u>	<u>\$ 1,147,214</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ -</u>	<u>\$ 70,528</u>
Fund Balances		
Reserved for capital outlay	<u>548,586</u>	<u>1,076,686</u>
Total Liabilities and Fund Balances	<u>\$ 548,586</u>	<u>\$ 1,147,214</u>

BYRON CENTER PUBLIC SCHOOLS
2001 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 33,848	\$ 128,969
Other local sources:		
Refund of prior year expenditures	<u>75,120</u>	<u>9,478</u>
Total Revenues	<u>108,968</u>	<u>138,447</u>
Expenditures		
Capital outlay:		
Architect fees	-	40,066
Construction manager fees	11,637	146,013
Financial consultant fees	-	1,263
Other professional fees	-	1,047
Insurance	-	100
Land improvements	99,802	348,965
Building additions and improvements	228,094	2,564,972
New equipment and furniture	297,535	1,281,084
Miscellaneous	<u>-</u>	<u>2,326</u>
Total Expenditures	<u>637,068</u>	<u>4,385,836</u>
Net Change in Fund Balances	(528,100)	(4,247,389)
Fund Balances, July 1	<u>1,076,686</u>	<u>5,324,075</u>
Fund Balances, June 30	<u><u>\$ 548,586</u></u>	<u><u>\$ 1,076,686</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

BYRON CENTER PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2007

	<u>Balances</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2007</u>
Assets				
Cash equivalents, deposits and investments	\$ 186,522	\$ 372,647	\$ 393,359	\$ 165,810
Due from other funds	<u>930</u>	<u>-</u>	<u>930</u>	<u>-</u>
Total Assets	<u><u>\$ 187,452</u></u>	<u><u>\$ 372,647</u></u>	<u><u>\$ 394,289</u></u>	<u><u>\$ 165,810</u></u>
Liabilities				
Due to student groups	<u><u>\$ 187,452</u></u>	<u><u>\$ 372,647</u></u>	<u><u>\$ 394,289</u></u>	<u><u>\$ 165,810</u></u>

OTHER INFORMATION

BYRON CENTER PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	Allegan County	Kent County			
	Dorr	Townships of Byron	Gaines	City of Wyoming	Total
Taxable Valuations					
Operating	\$ -	\$275,068,211	\$ 18,034,461	\$ 5,908,384	\$299,011,056
Debt Service/Building and Site	104,580	725,216,545	111,442,357	5,908,384	842,671,866
Rates (Mills)					
General Fund					18.0000
1995 Debt Service Fund					0.2400
1997 Debt Service Fund					0.2200
1998 Debt Service Fund					3.0000
2001 Debt Service Fund					3.1800
2005 Debt Service Fund					0.3600
Building and Site Fund					0.9835
					<u>25.9835</u>
Taxes Levied 2006 Rolls					
General Fund	\$ -	\$ 4,808,577	\$ 324,617	\$ 106,351	\$ 5,239,545
1995 Debt Service Fund	-	174,050	26,746	1,418	202,214
1997 Debt Service Fund	-	159,546	24,517	1,300	185,363
1998 Debt Service Fund	-	2,175,622	334,319	17,725	2,527,666
2001 Debt Service Fund	288	2,306,160	354,378	18,789	2,679,615
2005 Debt Service Fund	-	261,075	40,118	2,127	303,320
Building and Site Fund	89	713,241	109,601	5,811	828,742
	<u>377</u>	<u>10,598,271</u>	<u>1,214,296</u>	<u>153,521</u>	<u>11,966,465</u>
Taxes Uncollected 2006 Rolls					
General Fund	-	8,611	250	-	8,861
1995 Debt Service Fund	-	85	3	-	88
1997 Debt Service Fund	-	78	3	-	81
1998 Debt Service Fund	-	1,063	41	-	1,104
2001 Debt Service Fund	-	1,127	43	-	1,170
2005 Debt Service Fund	-	128	5	-	133
Building and Site Fund	-	349	26	-	375
	<u>-</u>	<u>11,441</u>	<u>371</u>	<u>-</u>	<u>11,812</u>
Taxes Collected 2006 Rolls					
General Fund	-	4,799,966	324,367	106,351	5,230,684
1995 Debt Service Fund	-	173,965	26,743	1,418	202,126
1997 Debt Service Fund	-	159,468	24,514	1,300	185,282
1998 Debt Service Fund	-	2,174,559	334,278	17,725	2,526,562
2001 Debt Service Fund	288	2,305,033	354,335	18,789	2,678,445
2005 Debt Service Fund	-	260,947	40,113	2,127	303,187
Building and Site Fund	89	712,892	109,575	5,811	828,367
	<u>377</u>	<u>10,586,830</u>	<u>1,213,925</u>	<u>153,521</u>	<u>11,954,653</u>
Delinquent Taxes Collected					
General Fund	-	9,317	192	-	9,509
1995 Debt Service Fund	-	622	9	-	631
1997 Debt Service Fund	-	263	5	-	268
1998 Debt Service Fund	-	1,100	30	-	1,130
2001 Debt Service Fund	-	1,053	29	-	1,082
2005 Debt Service Fund	-	56	3	-	59
Building and Site Fund	-	438	10	-	448
	<u>-</u>	<u>12,849</u>	<u>278</u>	<u>-</u>	<u>13,127</u>

(Continued)

BYRON CENTER PUBLIC SCHOOLS
Summary of 2006 Taxes Levied and Collected
For the year ended June 30, 2007

	Allegan County	Kent County			
	Dorr	Townships of Byron	Gaines	City of Wyoming	Total
Total Taxes Collected					
General Fund	\$ -	\$ 4,809,283	\$ 324,559	\$ 106,351	\$ 5,240,193
1995 Debt Service Fund	-	174,587	26,752	1,418	202,757
1997 Debt Service Fund	-	159,731	24,519	1,300	185,550
1998 Debt Service Fund	-	2,175,659	334,308	17,725	2,527,692
2001 Debt Service Fund	288	2,306,086	354,364	18,789	2,679,527
2005 Debt Service Fund	-	261,003	40,116	2,127	303,246
Building and Site Fund	89	713,330	109,585	5,811	828,815
	<u>\$ 377</u>	<u>\$ 10,599,679</u>	<u>\$ 1,214,203</u>	<u>\$ 153,521</u>	<u>\$ 11,967,780</u>
Taxes Uncollected – June 30, 2007					
General Fund:					
2006	\$ -	\$ 8,611	\$ 250	\$ -	\$ 8,861
2005	-	4,600	97	-	4,697
2004	-	17,465	143	-	17,608
	-	<u>30,676</u>	<u>490</u>	<u>-</u>	<u>31,166</u>
1995 Debt Service Fund:					
2006	-	85	3	-	88
2005	-	68	-	-	68
2004	-	1,619	11	-	1,630
	-	<u>1,772</u>	<u>14</u>	<u>-</u>	<u>1,786</u>
1997 Debt Service Fund:					
2006	-	78	3	-	81
2005	-	82	1	-	83
2004	-	1,073	5	-	1,078
	-	<u>1,233</u>	<u>9</u>	<u>-</u>	<u>1,242</u>
1998 Debt Service Fund:					
2006	-	1,063	41	-	1,104
2005	-	1,161	19	-	1,180
2004	-	1,824	13	-	1,837
	-	<u>4,048</u>	<u>73</u>	<u>-</u>	<u>4,121</u>
2001 Debt Service Fund:					
2006	-	1,127	43	-	1,170
2005	-	868	14	-	882
2004	-	2,678	28	-	2,706
	-	<u>4,673</u>	<u>85</u>	<u>-</u>	<u>4,758</u>
2005 Debt Service Fund:					
2006	-	128	5	-	133
2005	-	125	3	-	128
2004	-	49	-	-	49
	-	<u>302</u>	<u>8</u>	<u>-</u>	<u>310</u>
Building and Site Fund:					
2006	-	349	26	-	375
2005	-	322	6	-	328
2004	-	858	8	-	866
	-	<u>1,529</u>	<u>40</u>	<u>-</u>	<u>1,569</u>
Total Taxes Uncollected	<u>\$ -</u>	<u>\$ 44,233</u>	<u>\$ 719</u>	<u>\$ -</u>	<u>\$ 44,952</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 8, 2007

The Board of Education
Byron Center Public Schools

The following comments pertain to our audit of the financial records of Byron Center Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Byron Center Public Schools:

Auditors Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Byron Center Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Byron Center Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Byron Center Public School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Byron Center Public School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Byron Center Public School's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Byron Center Public Schools are described in Note A to the financial statements.

Difficulties Encountered In Performing The Audit

We encountered no significant difficulties in performing the audit of the financial statements of Byron Center Public Schools for the year ended June 30, 2007. We did make several material reclassifying entries to move revenues and expenditures to the proper account numbers per Michigan Department of Education requirements.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

General Fund

1. \$42,279 to write off uncollected 2003 delinquent personal property taxes at June 30, 2007.
2. \$122,816 to correct the year-end accrual for summer insurance benefits for the 2006-07 fiscal year.
3. \$50,949 to adjust the year-end receivable for the IDEA program to actual at June 30, 2007.

Food Service Fund

1. \$46,743 to record the USDA commodities reimbursement received during the 2006-07 year.

Community Service Fund

1. \$37,028 to summer driver education fees to deferred revenue at June 30, 2007.

Proposed Audit Adjustments

There were no material adjustments proposed during the audit not recorded by Byron Center Public Schools.

Suggestions and Recommendations

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Byron Center Public Schools to the Business Manager as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

In the fall of 2006, the AICPA issued Statement on Auditing Standards No. 112 “Communicating Internal Control Related Matters Identified in an Audit”, which requires a written communication from an auditor to an organization’s governing board if any weaknesses in internal controls (“control deficiencies”) rise to the level of “significant deficiencies” or “material weaknesses” that might effect the integrity of the financial statements. The AICPA significantly broadened the standards as to what might be a significant deficiency and/or material weakness and raised the expectations of auditors to report these control deficiencies if found. Our SAS No. 112 communication was issued to the District in a separate letter accompanying the audit report. The following recommendations relate to our internal control findings:

- We encourage the District to increase its activities in the area of *segregation/sharing of duties* and the *monitoring of internal controls*, especially in the areas of payroll accounting and record keeping and in the cash-type transactions occurring outside the business office (athletics, food service, student activities, performing arts center, child care, etc.)
- We encourage the District to support the Business Manager in furthering his education in the area of governmental financial statement preparation in compliance with current GAAP and GASB requirements. These are complex and constantly evolving requirements that continue to increase and undergo significant modifications.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 “Consideration of Fraud in a Financial Statement Audit” (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Byron Center Public Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

Other Comments

The General Fund balance of the District decreased by \$518,279 to \$3,926,012 at June 30, 2007. This balance represents 13.11 percent of the District’s 2007-08 expenditure budget, down from 15.26 percent at June 30, 2006. Maintaining a fund balance of at least 20 percent of the ensuing year’s expenditure budget is advisable for Byron Center Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes, and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) real growth in state aid revenues.

Byron Center Public Schools
October 8, 2007
Page 5

This communication is intended solely for the information and use of the Byron Center Public Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Byron Center Public Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

Hungerford, Aldrin, Nichols & Barton, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 8, 2007

The Board of Education
Byron Center Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Byron Center Public Schools as of and for the year ended June 30, 2007. The comments are made in accordance with Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" which has the following two unconditional requirements:

- The auditor must evaluate identified *control deficiencies* and determine whether those deficiencies, individually or in combination, are *significant deficiencies* or *material weaknesses*.
- The auditor *must communicate, in writing, significant deficiencies and material weaknesses* to management and those charged with governance. This communication includes significant deficiencies and material weaknesses identified and communicated to management and those charged with governance in prior audits but not yet remediated.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is *more than a remote likelihood* that a misstatement of the entity's financial statements that is *more than inconsequential* will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in *more than a remote likelihood* that a *material misstatement of the financial statements* will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

The following describe circumstances that may be control deficiencies, significant deficiencies, or material weaknesses:

- Inadequate *design* of internal control over a significant account or process.
- Inadequate *documentation* of the components of internal control.
- Insufficient *control consciousness* within the organization, for example, the tone at the top and the control environment.
- Inadequate or absent *segregation of duties* within a significant account or process.
- Inadequate design of *information technology* (IT) general and application controls.
- Inadequate design of *monitoring* controls used to assess the design and operating effectiveness of internal controls.
- The absence of an internal process to *report deficiencies* in internal controls to management on a timely basis.
- Employees or management who *lack the qualifications and training* to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with Generally Accepted Accounting Principles (GAAP), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply (GAAP) in recording the entity's financial transactions or *preparing its financial statements* (including the notes to basic financial statements).

The management of Byron Center Public Schools is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Byron Center Public Schools as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Byron Center Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

- District officials or employees who lack the qualifications and training to fulfill certain required functions:
 1. The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting standards in recording the District's financial transactions or preparing its financial statements (including Management's Discussion and Analysis and Notes to Basic Financial Statements) in compliance with current GAAP and GASB requirements.

This communication is intended solely for the information and use of management, the Board of Education, others within the organization, and the Michigan Department of Education. It is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants